

FUND BALANCE POLICY TOWN OF WEBSTER, NH

PREFACE

The Town of Webster through its Select Board establishes and will maintain reservation of Fund Balance, as defined herein, in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 54, Fund Balance reporting and Governmental Fund Type Definitions. This policy shall only apply to the Town's governmental funds. In accordance with GASB Statement No. 54, Fund Balance shall be composed of non-spendable, restricted, committed, assigned, and unassigned amounts.

PURPOSE

The purpose of this policy is to establish a key element of the financial stability of the Town by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that the Town maintain adequate levels of unassigned fund balance to mitigate financial risks that can occur from unforeseen revenue fluctuations, unanticipated expenditures, emergencies and similar circumstances. The fund balance also provides cash flow liquidity for the Town's general operations.

DEFINITIONS

1. **NON-SPENABLE FUND BALANCE** – includes amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact (such as principal of an endowment fund).
2. **RESTRICTED FUND BALANCE** – includes amounts that can only be spent for the specific purpose stipulated by external resource providers (such as grantors) or enabling legislation (Town Meeting vote). Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation.
3. **COMMITTED FUND BALANCE** – includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally. The action must be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in a subsequent period.
4. **ASSIGNED FUND BALANCE** – includes amounts the Town intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned". Items that fall under this classification for the General Fund would be encumbrances properly approved by contract, purchase order, or other such action as required.

5. **UNASSIGNED FUND BALANCE** – includes amounts that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another fund is also classified as unassigned.

SPENDING PRIORITIZATIONS

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for the purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and the unassigned amounts.

MINIMUM LEVEL OF UNASSIGNED FUND BALANCE

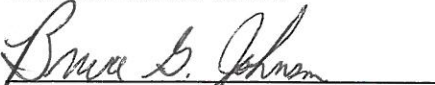
The Town will strive to maintain an unassigned fund balance in its General Fund equal to 6-10% of the total appropriations of the community (which includes Town, School and County). The Select Board will review this information each year in order to determine the amount, if any, of unassigned fund balance to use to balance the budget and to reduce the property tax rate.

ANNUAL REVIEW

Compliance with the provision of this policy should be reviewed as part of the annual budget adoption process.

Date of Adoption: 9/14/15

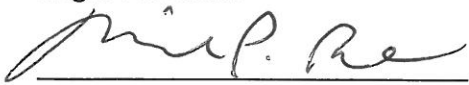
Webster Select Board



Bruce G. Johnson – Chairman



Roger A. Becker



Michael P. Borek